

SEC
Mail Processing
Section

AUG 26 2011

SECURITIES
Was



11015355

Washington, DC
105

**ANNUAL REPORT
FORM X-17A-5
PART III**

OMB APPROVAL

OMB Number: 3235-0123
Expires: April 30, 2013
Estimated average burden
hours per response..... 12.00

SEC FILE NUMBER

8- 34642

FACING PAGE

**Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

REPORT FOR THE PERIOD BEGINNING July 1, 2010 AND ENDING June 30, 2011
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Firsttrade Securities, Inc.

OFFICIAL USE ONLY

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

FIRM I.D. NO.

133-25 37th Avenue

(No. and Street)

Flushing

New York

11354

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

John Liu

718-961-6600

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

O' Connor Davies Munns & Dobbins, llp

(Name - if individual, state last, first, middle name)

60 East 42nd Street

New York

New York

10165-3698

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

☒ Certified Public Accountant

☐ Public Accountant

☐ Accountant not resident in United States or any of its possessions.

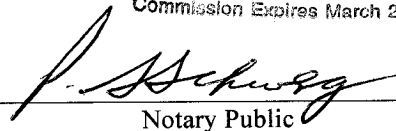
FOR OFFICIAL USE ONLY

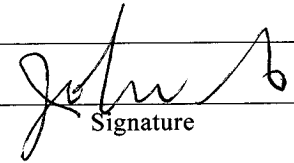
*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

OATH OR AFFIRMATION

I, John Liu, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Firstrade Securities, Inc., as of June 30th, 2011, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

PETER GSCHWENG
Notary Public, State of New York
No. 01GS6022253
Qualified in Nassau County
Commission Expires March 29, 2015


Notary Public


Signature
President
Title

This report ** contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of Changes in Financial Condition.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital.
- ☒ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☒ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☒ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☒ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

****For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).**

Firsttrade Securities, Inc.

Financial Statements

June 30, 2011

Firsttrade Securities, Inc

Financial Statements

June 30, 2011

TABLE OF CONTENTS	Page
Independent Auditors' Report	
 FINANCIAL STATEMENTS	
Statement of Financial Condition	2
Statement of Operations	3
Statement of Stockholders' Equity	4
Statement of Cash Flows	5
Notes to Financial Statements	6-14
 APPENDICES	
Computation of Net Capital Under Rule 15c3-1	15
Computation for Determination of Reserve Requirements under Rule 15-c3-3	16
Independent Auditors' Report on Internal Control Structure Required by SEC Rule 17a-5	17-18



O'Connor Davies Munns & Dobbins, llp
ACCOUNTANTS AND CONSULTANTS

Independent Auditors' Report

**To The Board of Directors
Firstrade Securities, Inc.**

We have audited the accompanying statement of financial condition of Firstrade Securities, Inc. (the "Company") as of June 30, 2011, and the related statements of operations, stockholders' equity and cash flows for the year then ended that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Firstrade Securities, Inc. as of June 30, 2011, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in the attached schedules on pages 15 and 16 is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by Rule 17a-5 under the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

O'Connor Davies Munns & Dobbins, LLP

New York, New York
August 23, 2011

Firstrade Securities, Inc

Statement of Financial Condition

June 30, 2011

ASSETS

Cash and cash equivalents	\$ 2,565,702
Due from clearing broker	642,545
Accounts receivable	73,971
Accrued interest receivable	4,002
Income taxes receivable	146,971
Investments	1,419,810
Loans receivable	195,000
Deposits with clearing broker	100,028
Other assets	108,868
Property, plant and equipment, net	304,527
Intangible assets, net	<u>1,553,512</u>
	<u>\$ 7,114,936</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

Liabilities

Accrued expenses	\$ 234,144
Accrued payroll	125,511
Accrued compensation payable	1,014,750
Obligation under capital lease	121,273
Deferred income taxes	<u>483,288</u>

Total Liabilities 1,978,966

Stockholders' equity

Common stock - \$.01 par value, 32,000,000 shares authorized , 18,450,000 shares issued and outstanding	184,500
Additional paid-in-capital	695,500
Retained earnings	4,393,470
Less: Treasury stock at cost, 50,000 shares	<u>(137,500)</u>

Total Stockholders' Equity 5,135,970

\$ 7,114,936

Firsttrade Securities, Inc

Statement of Operations

Year Ended June 30, 2011

REVENUES

Commission income	\$ 6,388,776
Rental income	124,168
Interest rebate income	5,739,234
Unrealized gain on investments	32,831
Other income	<u>266,309</u>
Total Revenue	<u>12,551,318</u>

EXPENSES

Salaries and payroll related expenses	2,049,474
Execution costs	2,396,220
Margin interest rebates	3,084,939
Interest expense-customers	369,344
Research and statistical costs	1,140,176
Regulatory fees and expenses	73,362
Occupancy and equipment costs	525,676
Communications costs	167,530
Stationery, printing, postage and shipping	58,292
Promotional costs	973,713
Insurance expense	194,258
Professional fees	337,593
Depreciation and amortization	1,170,894
Other operating costs	<u>363,350</u>
Total Expenses	<u>12,904,821</u>
Income (Loss) before Income Tax	(353,503)
Income tax benefit	<u>133,391</u>
Net Income (Loss)	<u>\$ (220,112)</u>

Firstrade Securities, Inc

Statement of Stockholders' Equity

Year Ended June 30, 2011

	<u>Common Stock</u>		<u>Additional</u>	<u>Treasury</u>	<u>Retained</u>	
	<u>Shares</u>	<u>Amount</u>	<u>Paid-in</u>	<u>Stock</u>	<u>Earnings</u>	<u>Total</u>
			<u>Capital</u>			
Balance, beginning of year	18,450,000	\$ 184,500	\$ 695,500	\$ (137,500)	\$ 4,613,582	\$ 5,356,082
Net loss	-	-	-	-	(220,112)	(220,112)
Balance, end of year	<u>18,450,000</u>	<u>\$ 184,500</u>	<u>\$ 695,500</u>	<u>\$ (137,500)</u>	<u>\$ 4,393,470</u>	<u>\$ 5,135,970</u>

Firstrade Securities, Inc

Statement of Cash Flows

Year Ended June 30, 2011

CASH FLOWS FROM OPERATING ACTIVITIES

Net income (loss)	\$ (220,112)
Adjustments to reconcile change in net loss to net cash from operating activities	
Depreciation and amortization	1,170,894
Net realized and unrealized gain on investments	(36,067)
Deferred income taxes	(17,353)
Change in operating assets and liabilities	
Due from clearing broker	(19,603)
Accounts receivable	21,926
Accrued interest receivable	3,626
Income taxes receivable	(112,943)
Other assets	(42,846)
Accrued expenses	(80,945)
Accrued payroll	<u>(500,984)</u>
Net Cash from Operating Activities	<u>156,868</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Loans made to an employee and third party	(35,000)
Software development costs	(875,214)
Purchases of property, plant and equipment	(70,257)
Redemption of certificate of deposits	835,954
Sale of securities	427,298
Purchase of securities	<u>(398,483)</u>
Net Cash from Investing Activities	<u>(115,702)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Borrowing under capital lease obligation	70,257
Payments on capital lease obligation	<u>(50,712)</u>
Net Cash from Financing Activities	<u>19,545</u>

Net Change in Cash and Cash Equivalents	60,711
---	--------

CASH AND CASH EQUIVALENTS

Beginning of year	<u>2,504,991</u>
End of year	<u><u>\$ 2,565,702</u></u>

SUPPLEMENTAL CASH FLOW INFORMATION

Cash paid during the year for income taxes	\$ 11,883
--	-----------

Firstrade Securities, Inc.

Notes to Financial Statements

1. Organization

Firstrade Securities, Inc. (the Company) is a registered broker-dealer in securities under the Securities Exchange Act of 1934. The Company acts as an introducing broker and provides discount brokerage services for its clients.

2. Summary of Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

For the purpose of the statement of cash flows, the Company considers all highly liquid investment instruments with a maturity of three months or less at the time of purchase to be cash equivalents.

Fair Value Measurements

The Company follows Financial Accounting Standards Board (FASB) guidance on Fair Value Measurements which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

Investments Valuation

Investments are carried at value shown in note 4 to the financial statements. The fair value of alternative investments has been estimated using the Net Asset Value ("NAV") as reported by the management of the respective alternative investment fund. FASB guidance provides for the use of NAV as a "Practical Expedient" for estimating fair value of alternative investments. NAV reported by each alternative investment fund is used as a practical expedient to estimate the fair value of the Organization's interest therein and their classification within Level 2 or 3 is based on the Organization's ability to redeem its interest in the near term.

Firsttrade Securities, Inc.

Notes to Financial Statements

2. Summary of Significant Accounting Policies *(continued)*

Investment Income Recognition

Purchases and sales of investments are recorded on a trade-date basis. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date. Realized and unrealized gains and losses are included in the determination of income.

Furniture, Equipment and Leasehold Improvements

Furniture, equipment and leasehold improvements are stated at cost. An accelerated depreciation method is used for furniture and equipment with useful lives of five to seven years. Leasehold improvements are depreciated using the straight-line method over the shorter of the economic useful life of the improvement or the term of the lease.

Intangibles

Intangible assets consist of trademarks, software and lease assignment costs and are recorded at cost. Amortization of trademarks is computed using the straight-line method over a period of 15 years. Software development costs are amortized using the straight-line method over a useful life of 3 years; these costs which include consulting fees, payroll and payroll related costs are associated with various ongoing computer software based projects. As of June 30, 2011 costs totaling \$3,920,932 relating to several of these projects were at the application development stage and consequently capitalized.

Advertising

The Company follows the policy of charging the costs of advertising to expense as incurred. For the year ended June 30, 2011, advertising expense was \$898,602.

Profit Sharing Plan

The Company maintains a contributory qualified 401(k) plan for eligible employees. The company made no contributions for the year ended June 30, 2011.

Firstrade Securities, Inc.

Notes to Financial Statements

2. Summary of Significant Accounting Policies *(continued)*

Income Taxes

Deferred income tax assets and liabilities are computed annually for differences between the financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. Income tax expense is the tax payable or refundable for the period plus or minus the change during the period in deferred tax assets and liabilities. The components of temporary differences are amortization of software development costs, depreciation and unrealized gains/losses on investments.

Accounting for Uncertainty in Income Taxes

Management has determined that the Company had no uncertain tax positions that would require financial statement recognition. The Company is no longer subject to U.S. federal, state or local income tax audits for periods prior to 2007.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is August 23, 2011.

3. Net Capital Requirements

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. At June 30, 2011, the Company had net capital of \$2,075,334 which was \$1,825,334 in excess of its required net capital of \$250,000. The Company's net capital ratio was 0.72 to 1.

Firsttrade Securities, Inc.

Notes to Financial Statements

4. Investments

The following table shows major categories of investments measured at fair value on a recurring basis at June 30, 2010, grouped by fair value hierarchy and certificates of deposit and temporary cash investments carried at cost plus accrued interest:

Description	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Unobservable Inputs (Level 3)	Total
Equities			
Technology	\$ 55	\$ -	\$ 55
Mutual funds			
Foreign large value	3,642	-	3,642
Large blend stock fund	3,559	-	3,559
Intermediate term bond fund	1,066	-	1,066
Fixed income fund	1,010	-	1,010
Diversified emerging markets	972	-	972
Long/short equity fund	483	-	483
Limited partnership	-	647,471	647,471
Total Investments at fair value	<u>\$ 10,787</u>	<u>\$ 647,471</u>	658,258
Temporary cash investments			27,649
Certificates of deposit			<u>733,903</u>
Total Investments			<u>\$ 1,419,810</u>

The following is a reconciliation of the beginning and ending balances for assets measured at fair value using significant unobservable inputs (Level 3) during the year ended June 30, 2010:

	Level 3
Beginning balance	\$ 628,557
Purchases, issuances and settlements	-
Total realized and unrealized gain (loss) included in change in net assets	<u>18,914</u>
Ending balance	<u>\$ 647,471</u>

The amount of total gain for the year included in changes in net assets attributed to the change in unrealized gains/loss relating to assets still held at June 30, 2011 were \$32,831.

Firsttrade Securities, Inc.

Notes to Financial Statements

4. Investments *(continued)*

At June 30, 2010 the Company had no open capital commitments with limited partnerships.

Information regarding the Level 3 investments at June 30, 2010 is as follows:

Investment Category	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Limited partnership(a)	\$ 647,471	\$ -	Quarterly	90 days

(a) This category includes investments in “limited partnership” that invest predominantly in other limited partnerships and similar pooled investment vehicles. These funds were primarily formed to seek positive absolute returns while also attempting to mitigate risk and preserve capital through a diversified portfolio of long and short investments and the periodic application of hedging techniques.

5. Loans Receivable

This consists of a \$95,000 interest free loan to a third party, due by January 21, 2013, and \$100,000 in loans to an employee at 0.01% interest. The employee loans are to be repaid starting on September 1, 2012 and as of June 30, 2011, no repayment arrangements have been finalized.

6. Property, Plant and Equipment

Property, plant and equipment and their depreciable lives as of June 30, 2011, consist of the following:

	Useful Life In Years	
Leasehold improvements	7	\$ 383,568
Equipment	5-7	909,642
Furniture and fixtures	5-7	147,356
Automobile	5	7,355
		1,447,921
Accumulated depreciation		(1,143,394)
Property, plant and equipment, net		\$ 304,527

Firstrade Securities, Inc.

Notes to Financial Statements

6. Property, Plant and Equipment *(continued)*

Depreciation expense for the year ended June 30, 2011 was \$333,559.

Included in equipment is approximately \$220,000 of computer equipment under separate capital lease agreements. Depreciation of the equipment under capital leases for the year ended June 30, 2011 was \$90,298.

7. Intangible Assets

Intangible assets consist of the following as of June 30, 2011:

	Useful Life In Years	
Trademark	15	\$ 7,823
Software development costs	3	<u>3,920,932</u>
		3,928,755
Accumulated amortization		<u>(2,375,243)</u>
Intangible assets, net		<u>\$ 1,553,512</u>

Amortization expense for year ended June 30, 2011 was \$837,335. Future estimated amortization expense is as follows:

<u>Year Ended June 30,</u>	
2012	\$ 918,471
2013	494,121
2014	140,184
2015	349
2016	317
Thereafter	<u>70</u>
	<u>\$ 1,553,512</u>

Firstrade Securities, Inc.

Notes to Financial Statements

8. Stock Option Plan

The Company established the Firstrade Securities Stock Option Plan (the "Plan") to attract and retain the best available personnel for positions of substantial responsibility, to provide additional incentive to employees and consultants of the Company and to promote the success of the Company's business. Under the Plan, the Board of Directors of the Company has authorized the issuance of up to 1,000,000 shares of the Company's common stock at \$.001 par value per share. Options granted under the plan may be incentive stock options or non-statutory stock options. As of June 30, 2011, there were 1,000,000 shares available for issuance under the plan and no shares were granted.

9. Preferred Stock

The Company is authorized to issue 4,000,000 shares of \$0.10 per share preferred stock. No preferred shares have been issued as of June 30, 2011.

10. Income Taxes

The provision for income taxes for the year ended June 30, 2011, consisted of the following components:

Current	
Federal	\$ (139,122)
State and local	23,084
Deferred	
Federal	<u>(17,353)</u>
	<u>\$ (133,391)</u>

Deferred tax liabilities at June 30, 2011, relate to the following items:

Deferred tax liabilities	
Software development costs	\$ 620,489
Less: Deferred tax asset	
Depreciation	\$ 136,467
Unrealized loss on investments	<u>734</u>
	137,201
Net deferred tax liability	<u>\$ 483,288</u>

Firstrade Securities, Inc.

Notes to Financial Statements

11. Commitments

Operating Leases

The Company has leases for office space which expire on June 30, 2015. Future minimum rental payments at June 30, 2011 are as follows:

<u>Year Ended June 30,</u>	
2012	\$ 402,431
2013	422,552
2014	443,680
2015	<u>465,864</u>
	<u>\$ 1,734,527</u>

Office rent expense for the year ended June 30, 2011 was \$383,267.

Capital Leases

The Company utilizes computer equipment under separate capital lease agreements with varying expiration dates through 2013. Future minimum payments under the leases are payable as follows:

2012	\$ 127,050
2013	<u>13,207</u>
	140,257
Amount representing interest and sales tax	<u>(18,984)</u>
	<u>\$ 121,273</u>

12. Financial Instruments and Credit Risk Concentration

Financial instruments which potentially subject the Company to concentrations of credit risk consist principally of cash, cash equivalents and amounts due from clearing broker. The Company places its cash and cash equivalents in highly regarded financial institutions and clears its transactions with a highly regarded clearing broker. The Company has a concentration risk to its clearing broker in the event that certain customers are unable to make their margin calls.

Firstrade Securities, Inc.

Notes to Financial Statements

13. Software Development

Effective November 19, 2008, the Company entered into a Joint Venture Agreement (the "Agreement") with Matrix Trading Technologies, LLC ("Matrix") and Louis Liu, to develop, design, manufacture and implement an online trading system (the "System"). The term of the Agreement began on the effective date and ends on March 31, 2012 or two years from the completion of the System, whichever occurs earlier. On July 15, 2011, the Joint Venture Agreement was amended, changing the end date to March 31, 2014

As stipulated in the Agreement the Company agreed that it will provide Matrix with the following:

- i. \$400,000 as follows: \$50,000 on the first of each month after execution of the Agreement;
- ii. \$300,000, paid in equal installments of \$25,000 on the first of each month after Phase I is implemented or at the one-year anniversary of the execution of the Agreement, whichever occurs earlier;
- iii. \$300,000 paid in equal installments of \$25,000 on the first of each month after the end of the second year of the Agreement.

Additionally, as compensation to Louis Liu for his work, the Company agreed to grant a 3% ownership in the Company at the completion of the contract, as of the valuation date of June 30, 2012. The 3% shall be calculated as follows:

- i. As of June 30, 2011, Louis Liu will have been compensated 2% ownership in Firstrade, calculated as of the valuation date discussed infra.
- ii. On March 31, 2014 the remaining balance if any shall be paid in the form of shares of stock or cash equivalent at the discretion of Firstrade.

As of June 30, 2011, the Company had made monthly payments totaling \$300,000 to Matrix. These payments have been capitalized as software development costs.

14. Reserve Account for Customer Credit Balances

In the course of doing business, the Company offers certain customers promotional rebates. As the result of a recent Financial Industry Regulatory Agency ("FINRA") examination, it was determined that the Company should have established a segregated reserve account for the exclusive benefit of its clients in accordance with SEC Rule 15c3-3. At June 30, 2011, these customer credits totaled \$233. In August 2010, the Company established a reserve bank account and deposited \$25,000 to comply with this requirement. The balance of this reserve account as of June 30, 2011 remained at \$25,000.

Firstrade Securities, Inc

Computation of Net Capital Under Rule 15c3-1

June 30, 2011

Stockholders' Equity		\$ 5,135,970
Deductions:		
Non-allowable assets		
Securities owned, not readily marketable at estimated fair value	\$ 647,471	
Accounts receivable	73,971	
Accrued interest receivable	4,002	
Loan receivable	195,000	
Other assets	255,839	
Property, plant and equipment	304,527	
Intangible assets	<u>1,553,512</u>	<u>3,034,322</u>
Net Capital before Haircuts on certificates of deposit and security positions		2,101,648
Less:		
Haircuts on certificates of deposit and security positions		<u>26,314</u>
Net Capital		2,075,334
Minimum net capital requirement of 6-2/3 % of aggregate indebtedness, or \$250,000 whichever is greater		<u>250,000</u>
Excess of Net Capital Over Minimum Requirement		<u>\$ 1,825,334</u>
Aggregate indebtedness		
Liabilities (excluding deferred income taxes)		<u>\$ 1,495,678</u>
Percentage of Aggregate Indebtedness to Net Capital		72%

Statement Pursuant to Paragraph (d)(4) of Rule 17a-5

Reconciliation with Companies computation (included in Part II
of Form X-17a-5 as of June 30, 2011)

Net Capital, as reported in Companies Part II (unaudited)

FOCUS Report	\$ 2,031,434
Adjustments to record loss carryback claims and adjustments to deferred taxes	<u>43,900</u>
Net Capital per above	<u>\$ 2,075,334</u>

Firsttrade Securities, Inc.

**Computation for Determination of Reserve Requirements
Under Rule 15c3-3 of the Securities and Exchange Commission**

June 30, 2011

Credit balances

Free credit balances and other credit balances in
customers' security accounts

\$ 233

Total credit items

233

Debit balances

-

Total debit items

-

Reserve computations

Excess of total credits over total debits

233

Required deposit

\$ 233

See independent auditors' report.



O'Connor Davies Munns & Dobbins, llp
ACCOUNTANTS AND CONSULTANTS

**Independent Auditors' Report on Internal
Control Structure Required by SEC Rule 17a-5**

**To The Board of Directors
Firstrade Securities, Inc.**

In planning and performing our audit of the financial statements of Firstrade Securities, Inc. as of and for the year ended June 30, 2011, in accordance with auditing standards generally accepted in the United States of America, we considered the Company's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

Also, as required by Rule 17a-5(g)(1) of the Securities Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company including consideration of control activities for safeguarding securities. This study included tests of such practices and procedures that we considered relevant to the objectives stated in Rule 17a-5(g) in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under Rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of Rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making quarterly securities examinations, counts, verifications, and comparisons and recordation of differences required by Rule 17a-13
2. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control or the practices and procedures referred to above, errors or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliability in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first and second paragraphs and would not necessarily identify all deficiencies in internal control that might be material weaknesses. We did not identify any deficiencies in internal control and control activities for safeguarding securities that we consider to be material weaknesses, as defined previously.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures as described in the second paragraph of this report, were adequate at June 30, 2011, to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, the National Association of Securities Dealers, Inc. and other regulatory agencies that rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

O'Connor Davies Munno & Dobbins, LLP

New York, New York
August 23, 2011

Processing
Section
AUG 26 2011
Washington, DC
105

**Firsttrade Securities, Inc
Independent Accountants' Report on
Applying Agreed-Upon Procedures
Related to SIPC Assessment Reconciliation
June 30, 2011**



O'Connor Davies Munns & Dobbins, llp
ACCOUNTANTS AND CONSULTANTS

**Report of Independent Registered Public Accounting Firm on Applying
Agreed-Upon Procedures Related to
SIPC Assessment Reconciliation**

To The Board of Directors
Firstrade Securities, Inc.

In accordance with Rule 17a-5(e)(4) under the Securities Exchange Act of 1934, we have performed the procedures enumerated below with respect to the accompanying Schedule of Assessment and Payments (General Assessment Reconciliation (Form SIPC-7) to the Securities Investor Protection Corporation (SIPC) for the year ended June 30, 2011, which were agreed to by Firstrade Securities, Inc and the Securities and Exchange Commission, Financial Industry Regulatory Authority, Inc. and SIPC, solely to assist you and the other specified parties in evaluating Firstrade Securities, Inc's compliance with the applicable instructions of the General Assessment Reconciliation (Form SIPC-7). Firstrade Securities, Inc's management is responsible for Firstrade Securities, Inc's compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose. The procedures we performed and our findings are as follows:

1. Compared the listed assessment payments in Form SIPC-7 with respective cash disbursement journals, noting no differences;
2. Compared the applicable amounts included in its audited Form X-17A-5 for the year ended June 30, 2011, as applicable, with the amounts reported in Form SIPC-7 for the year ended June 30, 2011 noting a difference of \$133,766 due to audit adjusting entries for income taxes;
3. Compared any adjustments reported in Form SIPC-7 with supporting schedules and working papers, noting no differences; and
4. Proved the arithmetical accuracy of the calculations reflected in Form SIPC-7, and in the related schedules and working papers, noting no differences.

We were not engaged to, and did not conduct an examination, the objective of which would be the expression of an opinion on compliance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the specified parties listed above and is not intended to be and should not be used by anyone other than these specified parties.

New York, New York
August 23, 2011

SEC
Mail Processing
Section

AUG 25 2011

Washington, DC
105

**Firsttrade Securities, Inc
Independent Accountants' Report on
Applying Agreed-Upon Procedures
Related to SIPC Assessment Reconciliation
June 30, 2011**



O'Connor Davies Munns & Dobbins, llp
ACCOUNTANTS AND CONSULTANTS

**Report of Independent Registered Public Accounting Firm on Applying
Agreed-Upon Procedures Related to
SIPC Assessment Reconciliation**

To The Board of Directors
Firstrade Securities, Inc.

In accordance with Rule 17a-5(e)(4) under the Securities Exchange Act of 1934, we have performed the procedures enumerated below with respect to the accompanying Schedule of Assessment and Payments (General Assessment Reconciliation (Form SIPC-7) to the Securities Investor Protection Corporation (SIPC) for the year ended June 30, 2011, which were agreed to by Firstrade Securities, Inc and the Securities and Exchange Commission, Financial Industry Regulatory Authority, Inc. and SIPC, solely to assist you and the other specified parties in evaluating Firstrade Securities, Inc's compliance with the applicable instructions of the General Assessment Reconciliation (Form SIPC-7). Firstrade Securities, Inc's management is responsible for Firstrade Securities, Inc's compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose. The procedures we performed and our findings are as follows:

1. Compared the listed assessment payments in Form SIPC-7 with respective cash disbursement journals, noting no differences;
2. Compared the applicable amounts included in its audited Form X-17A-5 for the year ended June 30, 2011, as applicable, with the amounts reported in Form SIPC-7 for the year ended June 30, 2011 noting a difference of \$133,766 due to audit adjusting entries for income taxes;
3. Compared any adjustments reported in Form SIPC-7 with supporting schedules and working papers, noting no differences; and
4. Proved the arithmetical accuracy of the calculations reflected in Form SIPC-7, and in the related schedules and working papers, noting no differences.

We were not engaged to, and did not conduct an examination, the objective of which would be the expression of an opinion on compliance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the specified parties listed above and is not intended to be and should not be used by anyone other than these specified parties.

New York, New York
August 23, 2011